

Itemized Deductions

Tax and Credits Standard Deduction for— • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, \$6,200 Married filing jointly or Qualifying widow(er), \$12,400 Head of household, \$9,300		38 Amount from line 37 (adjusted gross income)	38	
39a Check <input type="checkbox"/> You were born before January 2, 1950, <input type="checkbox"/> Blind. <input type="checkbox"/> Spouse was born before January 2, 1950, <input type="checkbox"/> Blind. Total boxes checked <input type="checkbox"/> 39a				
b If your spouse itemizes on a separate return or you were a dual-status alien, check here <input type="checkbox"/> 39b				
40 Itemized deductions (from Schedule A) or your standard deduction (see left margin)			40	
41 Subtract line 40 from line 38			41	
42 Exemptions. If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions			42	
43 Taxable income. Subtract line 42 from line 41. If line 42 is more than line 41, enter -0-			43	

SCHEDULE A (Form 1040) Department of the Treasury Internal Revenue Service (IRS) Name(s) shown on Form 1040		Itemized Deductions Information about Schedule A and its separate instructions is at www.irs.gov/schedules . Attach to Form 1040.		OMB No. 1545-0074 2014 Attachment Sequence No. 07 Your social security number
Medical and Dental Expenses Caution. Do not include expenses reimbursed or paid by others. 1 Medical and dental expenses (see instructions)				
2 Enter amount from Form 1040, line 38				
3 Multiply line 2 by 10% (.10). But if either you or your spouse was born before January 2, 1950, multiply line 2 by 7.5% (.075) instead				
4 Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-				
Taxes You Paid 5 State and local a <input type="checkbox"/> Income taxes b <input type="checkbox"/> RESERVED 6 Real estate taxes (see instructions) 7 Personal property taxes 8 Other taxes. List type and amount				
9 Add lines 5 through 8				
Interest You Paid 10 Home mortgage interest and points reported to you on Form 1098 11 Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see instructions				



About Itemized Deductions

- Additional resources listed in L< “References” tab
- Review all tips and cautions in the lesson
- Read all examples and sample interviews
- We will review answers to each exercise



Objectives – Itemized Deductions

- Determine if a taxpayer should itemize deductions
- Determine the type of expenses that qualify as itemized deductions
- Accurately report itemized deductions on Schedule A
- Explain the recordkeeping requirements for claiming charitable contributions
- Time Required: 45 minutes

Topics



- Who Should Itemize?
- Medical and Dental Expenses
- Taxes that May be Deductible
- Interest Paid
- Gifts to Charity
- Miscellaneous Deductions



Key Terms

Definitions are always available in the L< online Glossary.

- Adjusted Gross Income (AGI)
- Itemized Deductions
- Standard Deduction

Who Should Itemize?

- Taxpayers should itemize if total allowable deductions are higher than the standard deduction amount
- Taxpayers ineligible for standard deduction should itemize deductions
- Refer to Pub 4012, Deductions tab:
 - [Persons Not Eligible for the Standard Deduction Interview Tips](#) for help in determining if a taxpayer qualifies for a standard deduction
 - [Interview Tips – Itemized Deductions](#) to help determine if a taxpayer should itemize
- TaxWise will automatically select the larger of itemized versus standard deduction

Medical and Dental Expenses

- Unreimbursed medical and dental expenses that exceed 10% (7.5% for taxpayers 65 or older) of taxpayer's AGI can be deducted for:
 - Taxpayer
 - Spouse
 - Dependents
- Refer to [Pub 17](#), Medical and Dental Expenses chapter for more information

21.

Medical and Dental Expenses

What's New

Medical and dental expenses. Beginning January 1, 2013, you can deduct only the part of your medical and dental expenses that exceed 10% of your adjusted gross income (AGI) (7.5% if either you or your spouse is age 65 or older).

Standard mileage rate. The standard mileage rate allowed for operating expenses for a car when you use it for medical reasons is 24 cents per mile. See [Transportation](#) under What Medical Expenses Are Included.

Introduction

This chapter will help you determine the following.

- What medical expenses are.
- What expenses you can include this year.
- How much of the expenses you can deduct.
- Whose medical expenses you can include.
- What medical expenses are includible.
- How to treat reimbursements.
- How to report the deduction on your tax return.
- How to report impairment-related work expenses.
- How to report health insurance costs if you are self-employed.

Useful Items

You may want to see:

- Publications
 - 502 Medical and Dental Expenses
 - 969 Health Savings Accounts and Other

include payments for legal medical services rendered by physicians, surgeons, dentists, and other medical practitioners. They include the costs of equipment, supplies, and diagnostic devices needed for these purposes.

Medical care expenses must be primarily to alleviate or prevent a physical or mental defect or illness. They do not include expenses that are merely beneficial to general health, such as vitamins or a vacation.

Medical expenses include the premiums you pay for insurance that covers the expenses of medical care, and the amounts you pay for transportation to get medical care. Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any qualified long-term care insurance contract.

What Expenses Can You Include This Year?

You can include only the medical and dental expenses you paid this year, regardless of when the services were provided. If you pay medical expenses by check, the day you mail or deliver the check generally is the date of payment. If you use a "pay-by-phone" or "online" account to pay your medical expenses, the date reported on the statement of the financial institution showing when payment was made is the date of payment. If you use a credit card, include medical expenses you charge to your credit card in the year the charge is made, not when you actually pay the amount charged.

Separate returns. If you and your spouse live in a noncommunity property state and file separate returns, each of you can include only the medical expenses each actually paid. Any medical expenses paid out of a joint checking account in which you and your spouse have the same interest are considered to have been paid equally by each of you, unless you can show otherwise.

Community property states. If you and your spouse live in a community property state and file separate returns, or are registered domestic partners in Nevada, Washington, or California, any medical expenses paid out of community funds are divided equally. Each of you should include half the expenses. If medical expenses are paid out of the separate funds of one individual, only the individual who paid the medical expenses can include them. If you live

Example. You are unmarried and under age 65 and your AGI is \$40,000. 10% of which is \$4,000. You paid medical expenses of \$2,500. You cannot deduct any of your medical expenses because they are not more than 10% of your AGI.

Whose Medical Expenses Can You Include?

You can generally include medical expenses you pay for yourself, as well as those you pay for someone who was your spouse or your dependent either when the services were provided or when you paid for them. There are different rules for decedents and for individuals who are the subject of multiple support agreements. See [Support claimed under a multiple support agreement](#), later.

Yourself

You can include medical expenses you paid for yourself.

Spouse

You can include medical expenses you paid for your spouse. To include these expenses, you must have been married either at the time your spouse received the medical services or at the time you paid the medical expenses.

Example 1. Mary received medical treatment before she married Bill. Bill paid for the treatment after they married. Bill can include these expenses in figuring his medical expense deduction even if Bill and Mary file separate returns.

If Mary had paid the expenses, Bill could not include Mary's expenses in his separate return. Mary would include the amounts she paid during the year in her separate return. If they filed a joint return, the medical expenses both paid during the year would be used to figure their medical expense deduction.

Example 2. This year, John paid medical expenses for his wife Louise, who died last year. John married Belle this year and they file a joint return. Because John was married to Louise when she received the medical services, he can include those expenses in figuring his medical expense deduction for this year.

Taxes that May be Deductible

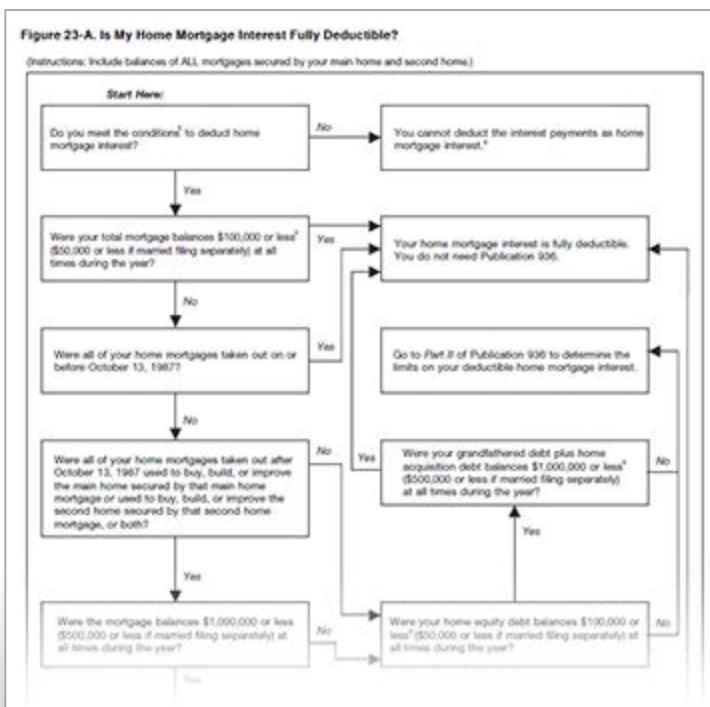
- Certain taxes may be deductible if paid by the taxpayer during the tax year, such as:
 - State and local taxes
 - Real estate taxes
 - Other taxes (foreign income taxes, etc.)
- Refer to [Pub 17](#), Which Taxes Can You Deduct table for more information

Table 22-1. Which Taxes Can You Deduct?

Type of Tax	You Can Deduct	You Cannot Deduct
Fees and Charges	Fees and charges that are expenses of your trade or business or of producing income.	Fees and charges that are not expenses of your trade or business or of producing income, such as fees for driver's licenses, car inspections, parking, or charges for water bills (see Taxes and Fees You Cannot Deduct). Fines and penalties.
Income Taxes	State and local income taxes. Foreign income taxes. Employee contributions to state funds listed under Contributions to state benefit funds .	Federal income taxes. Employee contributions to private or voluntary disability plans. State and local general sales taxes if you choose to deduct state and local income taxes.

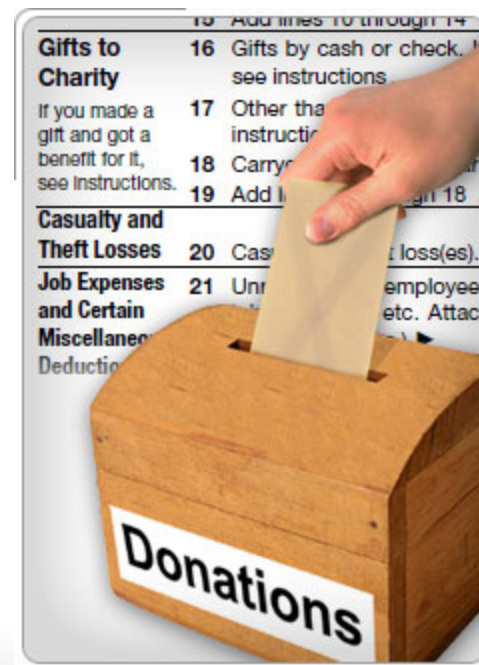
Interest Paid

- Certain types of interest are deductible, such as:
 - Mortgage interest
 - Points paid as a form of interest
 - Investment interest (out of scope)
- Refer to the flowcharts in [Pub 17](#), Is My Home Mortgage Interest Fully Deductible? and Are My Points Fully Deductible? for more information



Gifts to Charity

- Taxpayers may deduct charitable contributions (donations or gifts) to qualified organizations
- [Exempt Organizations Select Check](#) is an online tool for searching for organizations that are eligible to receive tax-deductible charitable contributions
- Taxpayers are required to keep receipts and records of all their contributions
- Refer to [Pub 17](#), Contributions , and Pub 4012, Deductions tab, [Schedule A – Itemized Deductions lines 16-19](#), for more information



Miscellaneous Deductions

- Miscellaneous itemized deductions subject to the 2% limit are reported on Schedule A, lines 21-27
- Deductions not subject to the 2% limit are reported on Schedule A, line 28
- Refer to [Pub 17](#), Miscellaneous Deductions , and Pub 4012, Deductions tab, [Schedule A – Itemized Deductions](#), for more information

Job Expenses and Certain Miscellaneous Deductions	21	Unreimbursed employee expenses—job travel, union dues, job education, etc. Attach Form 2106 or 2106-EZ if required. (See instructions.) ▶			
	22	Tax preparation fees			
	23	Other expenses—investment, safe deposit box, etc. List type and amount ▶			
	23				
	24	Add lines 21 through 23			
Other Miscellaneous	25	Enter amount from Form 1040, line 38 25			
	26	Multiply line 25 by 2% (.02)			
	27	Subtract line 26 from line 24. If line 26 is more than line 24, enter -0-			27
	28	Other—from list in instructions. List type and amount ▶			



Out of Scope for this Lesson:

- Casualty and theft losses
- Investment interest
- Form 1098-C, Contributions of Motor Vehicles, Boats and Airplanes
- Taxpayers affected by limits on charitable deductions
- Taxpayers who file Form 8283 to report noncash contributions of more than \$500
- Taxpayers donating property that was previously depreciated
- Taxpayers donating capital gain property



Summary

This lesson explained:

- Deductible medical and dental expenses for the taxpayer, spouse, and dependents are calculated and reported on Schedule A, lines 1-4
- Deductible state, local, and foreign real estate taxes are reported on Schedule A, lines 5-9
- Deductible interest is reported on Schedule A, lines 10-15
- Qualified gifts to charity are reported on Schedule A, lines 16-19
- For some miscellaneous deductions, only the portion that exceeds 2% of the taxpayer's AGI can be deducted
- Other miscellaneous deductions are deductible regardless of AGI

Practice

- Select the problem from Publication 4491-W based on your certification course of study
- Complete the exercise

